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AGENDA ITEM 9a

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Consultant Review of the Internal Corporate Governance Investment Program
- II. PROGRAM:** Global Equity
- III. RECOMMENDATION:** Information
- IV. ANALYSIS:**

Executive Summary

Wilshire Associates conducted a review of the internally-managed Corporate Governance Investment Program (Program). This review was conducted as part of Wilshire's contractual requirement to periodically review all of the internal asset management functions within CalPERS. Specifically, the review of the Corporate Governance Investment Program included a review of the Program's personnel, investment process, external managers, and resources. Wilshire concluded that the investment approach is appropriate, staff is aware of the risks faced by the portfolios, and staff has access to sufficient resources. A complete copy of Wilshire's review is included as Attachment 1. Highlights of the Wilshire analysis shows the following:

- Wilshire recommends the Investment Committee continue to support the program.
- Other recommendations include continuing to diversify the program by hiring managers with demonstrated skills in identifying and engaging underperforming companies. This additional diversification should help dampen some of the volatility of the overall program, while continuing to build exposure to a persistent source of alpha that is otherwise unrepresented within CalPERS portfolio.

- The performance attribution analysis confirms that industry weights in the portfolio have been a significant factor in the program's performance.
- Wilshire's evaluation of the strategy included a review and scoring of the program's organization, process, and resources. The strategy received a score of 67%. Much of the low score is attributed to the vacancy in the Program's Senior Portfolio Manager Position.

V. STRATEGIC PLAN:

This agenda item is consistent with the Strategic Plan: Goal IX, achieve long-term, sustainable, risk adjusted returns.

VI. RESULTS/COSTS:

Costs associated with this item are assumed through the Wilshire Associates contract.

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